



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0021

**Title:** Authorize funding for the multifamily coal trust home loan program

**Primary Sponsor:** Custer, Geraldine

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other (Proprietary)	\$6,250	\$25,000	\$37,500	\$37,500
<b>Revenue:</b>				
General Fund	(\$12,000)	(\$19,000)	\$15,000	\$15,000
State Special Revenue	\$0	\$0	\$0	\$0
Other (Proprietary)	\$6,250	\$25,000	\$37,500	\$37,500
<b>Net Impact-General Fund Balance:</b>	<u>(\$12,000)</u>	<u>(\$19,000)</u>	<u>\$15,000</u>	<u>\$15,000</u>

**Description of fiscal impact:** HB 21 makes an additional \$15 million from the Coal Tax Trust available to provide funding for low-income and moderate-income multifamily housing loans.

### FISCAL ANALYSIS

#### Assumptions:

- HB 16 passed by the 2019 legislature made \$15 million from the permanent coal tax trust available to fund loans for low-income and moderate-income housing.
- By April 2020, the Board of Housing approved preliminary loan commitments to 7 projects, comprising 252 rental homes. As of December 31, 2020, financing for four projects have closed. These rental homes are in Belt, Cascade, Havre, Livingston, Helena, and Joliet/Laurel. There is approximately \$490,000 fund balance remaining from the \$15 million allocation.
- HB 21 allocates an additional \$15 million from the permanent coal tax trust fund to fund loans for low-income and moderate-income housing loans. The actual number of loans that will be made depends upon

the number of eligible projects accessing the program. The Board of Housing (BOH) would administer the program.

4. The Board of Investments (BOI) handles the fiduciary responsibility for all cash flow out and into the permanent coal tax trust fund and BOH administers the program portion. All funds always remain under the control of BOI. Program costs are paid from interest earned on the mortgage loans with the remaining interest and all principal going into the permanent coal tax trust fund.
5. Funded projects must be subject to property taxes.
6. There will be \$5 million made in 2022 and \$10 million in 2023.
7. The loans would not all be lent at the beginning of the fiscal year so an average of the outstanding balance for the year would be \$2.5 million for 2022; \$10 million for 2023; \$15 million for 2024; and \$15 million for 2025. For the purposes of this fiscal note, it is assumed that these loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
8. BOH is authorized to take the servicing fee and its administrative charges from the interest paid by the borrower. The administrative fee is the same as the Montana Veterans Home Loan Program. However, the servicing fee is reduced as these loans are typically larger than a standard single-family loan. The servicing fee charge will be split and ½ of this fee will be added back to the interest rate charged on the loan.
9. Pursuant to 90-6-137 MCA (4)(b)(iii), the minimum interest rate charged on a loan is 0.5% less than the interest rate charged for a loan funded by the Housing Montana Fund (HMF) provided for in MCA 90-6-133 and ARM 8.111.506. Furthermore, the board and the loan recipient each pay half of the loan servicing fees. This rate will be reduced by ½ of 1% to obtain the loan rate adding back ½ of the servicing fee.

Rate	Income Targeting
1.5625%	30% or less AMI households
2.5625%	31% and 50% AMI households
3.5625%	51% and 80% AMI households
5.5625%	81% and 95% AMI households
Weighted average if targeting multiple ranges. Existing projects will use incomes of tenants at time of application	

10. The interest rate used in this fiscal note is the actual average interest rate for the initial \$15 million of the fund.
11. Like the Housing Montana Fund, the loans originated from this program are anticipated to be uninsured loans in the projects and would be in first lien position.
12. The loans would be made from funds that are currently invested in the Board of Investment’s Trust Funds Investment Pool (TFIP) specific to the permanent coal funds, interest from which is deposited in the general fund. The cost to the general fund is the difference between what the funds would earn invested in the TFIP and the “net” interest on the loans after BOH costs are paid.

	FY 2022	FY 2023	FY 2024	FY 2025
Principal Invested (average)	\$ 2,500,000	\$ 10,000,000	\$ 15,000,000	\$ 15,000,000
TFIP Yield	3.080%	2.790%	2.500%	2.500%
G/F Interest Earnings Current Law	\$ 77,000	\$ 279,000	\$ 375,000	\$ 375,000
Loan Principal (average)	\$ 2,500,000	\$ 10,000,000	\$ 15,000,000	\$ 15,000,000
Loan Yield (HB0016 Ave Int Rate 2.85%)	2.8500%	2.8500%	2.8500%	2.8500%
Loan Interest Earned	\$ 71,250	\$ 285,000	\$ 427,500	\$ 427,500
Gross General Fund Gain/Loss	\$ (5,750)	\$ 6,000	\$ 52,500	\$ 52,500
BOH Bank Servicing Fee (0.125%)	\$ (3,125)	\$ (12,500)	\$ (18,750)	\$ (18,750)
BOH Admin Costs (0.125%)	\$ (3,125)	\$ (12,500)	\$ (18,750)	\$ (18,750)
BOH Foreclosure Fees	\$ -	\$ -	\$ -	\$ -
BOH Costs	\$ (6,250)	\$ (25,000)	\$ (37,500)	\$ (37,500)
Net Gain/Loss to General Fund	\$ (12,000)	\$ (19,000)	\$ 15,000	\$ 15,000

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$3,125	\$12,500	\$18,750	\$18,750
Operating Expenses	\$3,125	\$12,500	\$18,750	\$18,750
<b>TOTAL Expenditures</b>	<b>\$6,250</b>	<b>\$25,000</b>	<b>\$37,500</b>	<b>\$37,500</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other (Proprietary)	\$6,250	\$25,000	\$37,500	\$37,500
<b>TOTAL Funding of Exp.</b>	<b>\$6,250</b>	<b>\$25,000</b>	<b>\$37,500</b>	<b>\$37,500</b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$12,000)	(\$19,000)	\$15,000	\$15,000
Other (Proprietary)	\$6,250	\$25,000	\$37,500	\$37,500
<b>TOTAL Revenues</b>	<b>(\$5,750)</b>	<b>\$6,000</b>	<b>\$52,500</b>	<b>\$52,500</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$12,000)	(\$19,000)	\$15,000	\$15,000
Other	\$0	\$0	\$0	\$0

*Mercelino Cester*  
Sponsor's Initials

1/5/21  
Date

*EA*  
Budget Director's Initials

1/4/21  
Date